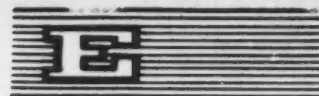




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REPORT OF THE MEETING BETWEEN
FINANCIAL INSTITUTIONS AND AFRICAN INTERGOVERNMENTAL
ORGANIZATIONS TO EXPLORE STRATEGIES FOR FINANCING THE
UNITED NATIONS TRANSPORT AND COMMUNICATIONS DECADE
PROGRAMME

(Addis Ababa, 14 & 15 June 1984)

A. Organization

1. The meeting between financial institutions and African intergovernmental organizations to explore strategies for financing the programme of the United Nations Transport and Communications Decade in Africa was held in Addis Ababa, Ethiopia, from 14 to 15 June 1984 in conformity with resolution ECA/UNTACDA/Res.84/45 adopted in Conakry, Guinea, in February 1984 by the fourth Conference of African Ministers of Transport, Communications and Planning.

B. Attendance

2. Representatives of the following financial institutions and African intergovernmental organizations attended the meeting: the World Bank, the African Development Bank (ADB), the Banque de developpement des Etats de l'Afrique Centrale (BDEAC), the Fund of the West African Economic Community (CEAO), the Fund of the Organization of Petroleum Exporting Countries (OPEC), the Banque Ouest-Africaine de developpement (BOAD), the Economic Community of West African States (ECOWAS), the Ministerial Conference of West and Central African States on Maritime Transport (MINCONMAR) and the Organization of African Unity (OAU).

C. Opening of the meeting

3. In his opening statement Mr. Adebayo Adedeji, The Executive Secretary of ECA, recalled that the meeting was in pursuance of resolution ECA/UNTACDA/Res.84/45 adopted in February 1984 in Conakry, Guinea, by the fourth Conference of African Ministers of Transport, Communications and Planning.

4. In considering the financing secured for the first Phase, the ministers had realized that only 25 per cent of such financing had come from the international community. Africa was certainly proud of contributing such a substantial amount of the financing secured (75 per cent) which demonstrated its commitment to the implementation of the Decade programme; it was, however, clear that much greater efforts were required to persuade external sources of financing to make greater commitments to the financing of Decade projects. The ministers had therefore deemed it necessary to meet at the very beginning of the second phase with financial institutions for a thorough review of the methods used to secure funds for first phase projects and to design more effective methods for use during the rest of the Decade.

5. The economic crisis affecting African countries was even harsher in the second phase than in the first and it would therefore be very difficult for African Government to mobilize national resources to the same extent as they had done for the first phase. Financial institutions therefore needed to work with ECA to find a solution to the problem of mobilizing external resources, which was the main reason why the meeting was being held.

D. Organization of work

6. Mr. Adedeji chaired the opening session of the meeting. Mr. Baba Moussa, President of the Banque Ouest-africaine de developpement (BOAD) agreed to chair the closing session at the request of the ECA Executive Secretary, who had other engagements.

7. The following agenda was adopted:

1. Opening of the meeting by the Executive Secretary of ECA
2. Adoption of the agenda and organization of work
3. Examination of and observations on the second phase programme of the Decade
4. Areas of special interest to financial institutions in the transport and communications sectors and possible planned allocation of lending or investment in these areas
5. Preparation and presentation of programme projects in an acceptable way to, and easy preliminary consideration by financial and donor institutions, including procedures for project submissions by African countries
6. Ways and means of generating funds for Decade Projects and various possible approaches to financing important large-scale regional/subregional and national projects
7. Closure of the meeting.

8. Discussions on items 3 to 6 were based on documents prepared by ECA secretariat. The meeting felt that items 4 to 6 covered the fundamental issues; it was therefore decided not to follow the agenda strictly and to be flexible in view of the interdependence of the subjects considered.

9. It was also decided that the report of the meeting would be presented as a summary followed by recommendations.

10. The following work programme was adopted:

Thursday 14 June

9 a.m. - 12 p.m.:

Registration

3 p.m. - 6 p.m.:

Full working session

- (a) Opening of the meeting
- (b) Adoption of the agenda and work programme
- (c) Consideration of agenda items

Friday 15 June

9 a.m. - 12 p.m.

Private consultations between financial institutions and African intergovernmental organizations

3 p.m. - 6 p.m.

Full working session

- (a) Continuation of discussions
- (b) Drafting of recommendations
- (c) Closure of the meeting

INTRODUCTION

11. When the first phase of the Decade ended in December 1983, the experience acquired with respect to financing had to be quickly assessed in order to make use of it in the second phase especially.

12. At their meeting in Conakry in February 1984, the African ministers of transport, communications and planning thoroughly considered the results of the first phase; they realized that there were considerable divergences between the achievements and objectives of the global Decade strategy which they felt, were attributable among other things to the low donor participation in financing the programme (about 25 per cent of financing secured) and the little interest shown by donors in regional and subregional projects.

13. By resolution ECA/UNTACDA/Res.84/31 entitled "Ways of Mobilizing Funds to implement the Programme for the Second Phase (1984-1988) of the Decade: Role of Funding Agencies" the ministers requested the Executive Secretary of the Economic Commission for Africa to organize, in co-operation with OAU, a meeting with the funding agencies before the end of the first half of 1984 in Addis Ababa, with a view to improving the financing of the programme for the second phase of the Decade. The current meeting was therefore in pursuance of that resolution.

I. Summary of discussions

14. All the participants agreed that the most important points to be stressed during the meeting were the following:

(a) Action needed to reconcile the objectives of the Decade with the policies of donors;

(b) Approaches to the financing of large-scale regional, subregional and national projects.

Discussions on the above should lead to specific recommendations to ECA, the financial institutions and member States.

A. Role and terms of reference of financial institutions

15. Considerable criticism was very often levelled against financial institutions, African ones in particular, by intergovernmental organizations. The usual criticisms were the following:

(a) Funding agencies favoured some specific areas and imposed their views on States;

(b) They encouraged national projects at the expense of regional and subregional projects while national projects were not always included in the Decade programme;

(c) The policies of African funding agencies did not always reflect the policies of their member States; specifically, the new policies on integration set out in the Lagos Plan of Action were ignored;

(d) African intergovernmental organizations were not considered suitable partners;

(e) The procedures for releasing funds were slow and complicated.

16. Such criticism showed that the role of funding agencies was often misunderstood. The funding agencies therefore quickly summed up their activities and terms of reference.

The OPEC Fund

17. The Fund allocated resources globally every two years to each country; it was however up to each country and not the Fund to decide in which sectors (transport and communications for example) to invest such resources.

18. Since the Fund did not evaluate projects, it was the responsibility of the countries concerned to ensure that the projects submitted for funding (including regional projects) were those on which thorough studies had already been carried out (for example by ADB or the World Bank).

19. The Fund could even provide balance-of-payments support.

The African Development Bank (ADB)

20. In the area of transport and communications, the Bank was very involved in maintenance, rehabilitation, and training projects as well as the construction of new infrastructure. ADB projects were strongly patterned after World Bank projects and before ADB agreed to finance any project every aspect thereof - economic, social, management and financial - had to be considered as well as the solvency of the country concerned and the soundness of the assumptions on which the studies had been based. Although that phase was long it had to be carried-out.

21. ADB could finance feasibility studies, and funds for such studies came from three different sources:

(a) Bilateral aid: some States, such as France, the Federal Republic of Germany, Belgium, Canada, the Nordic countries and the United States of America, made interest-free loans available to the countries through the Bank;

(b) The African Development Fund (AfDF): five per cent of AfDF resources were earmarked for economic, legal, market and feasibility studies;

(c) ADB: exceptionally, ADB could provide loans for studies.

22. With respect to the allocation of resources for regional and subregional projects, there were no longer any ceilings on the Bank's assistance but such assistance had to be guaranteed by the States.

The Banque ouest-africaine de developpement (BOAD)

23. The Bank's operations were based on the "General Policy Declaration" adopted by the Heads of State when the Bank was created. The document stated that the primary purpose of BOAD was to promote the integration of member countries of the West African Monetary Union (UMOA) and that 65 per cent of resources were therefore to be allocated to integration projects i.e. regional and subregional projects. The Bank's constitution also stated that only projects presented by States and their public bodies could be financed by the Bank.

24. Consequently, intergovernmental organizations could not themselves ask for regional and subregional projects to be financed, but had to apply through State members; however, BOAD had a special fund for financing feasibility studies on regional and subregional projects.

25. Countries were free to work out their own priorities in presenting projects because the Bank did not steer them towards any particular areas.

The Banque pour le developpement des Etats de l'Afrique centrale (BDEAC)

26. The constitution of the Bank provided that 50 per cent of its resources should be allocated to regional and subregional projects but that only member States and their public bodies could borrow from the Bank. Very detailed documents had to be presented before funds could be released.

B. Financing regional and subregional projects

27. One of the major issues raised during the meeting was the difficulty in securing financing for regional and subregional projects during the first phase; priorities were almost inverted since national projects were clearly favoured over projects on integration which were neglected.

28. However, regional and subregional projects were of higher priority, individual countries had to little external trade for national projects to be economically viable, and national projects therefore did not yield the expected results. A collective regional effort yielding immediate returns was needed, hence the pressing need to find strategies for financing such projects.

29. The questions and comments made to financing institutions could be summed up as follows:

(a) The financing agencies were asked whether despite the fact that they gave preference to national projects they could not adopt criteria which would enable them to consider regional and subregional projects;

(b) Donors were asked what guarantees they required for such projects;

(c) Financing agencies were asked whether they would allow intergovernmental organizations to present regional and subregional projects;

(d) African financing agencies were supposed to adopt policies that reflected those of their member States; however their member States had adopted a new approach as set out in the Lagos Plan of Action and Final Act of Lagos. If African financing agencies did not follow the Lagos Plan of Action participants wondered how other donors could be persuaded to do so.

30. The ensuing discussions among participants threw some light on a number of issues.

31. The constitutions of financial agencies stipulated that member States themselves or their public bodies should present and justify any project, particularly regional or subregional projects. However, countries submitted very few such projects to the financing agencies; they seemed to be rather reluctant to get involved, because projects of that kind were often hard to organize in view of the varying interest, of the countries concerned. The example of BOAD was telling: the bank's constitution provided that 65 per cent of its resources were to be earmarked for financing regional and subregional integration projects. What happened was the exact opposite - 70 per cent of resources went to national projects because member States presented very few regional and subregional projects to BOAD for financing and even the feasibility studies on such projects were not considered as priorities by those member States. It was, however, difficult to accuse member States of giving national projects priority; the scanty resources available forced drastic choices on African leaders who preferred allocating such resources to immediate problems and relegating integration projects to the longer term.

32. Thus it was the member States themselves and not the financing agencies that should be blamed for the divergence from the priorities set in the Lagos Plan of Action and the global strategy of the Decade. African financing agencies did not have priorities and policies other than those of their member States. ECA, the intergovernmental organizations and financing agencies should point out the above contradictions to the Heads of State and indicate their responsibilities to them.

33. Some proposals were made which could get donors more involved in regional and subregional projects. For example, the World Bank had decided to finance some regional and subregional projects over and above IPFs; however, those projects still had to be presented and justified by the countries concerned. ECA could also suggest that the ministers should authorize intergovernmental organizations to set up regional funds because intergovernmental organizations had been presenting more and more requests for financing while they could not borrow. On the other hand, intergovernmental organizations could present such projects to banks because the banks should know exactly who the promoters were. Regional and subregional organizations should play key roles during the second phase of the Decade because implementation of the Decade programme required close collaboration between ECA, intergovernmental organizations, financing agencies and governments.

34. Although it had been pointed out that if the initiative of implementing integration projects had to be taken by countries such projects were likely to languish, it was generally agreed not to take issue with the fact that all projects, regardless of their nature, had to be submitted by member States. Finally, in the light of the experience acquired, the proposal to earmark a certain portion of available funds for regional and subregional projects was not adopted because the funds might not be used.

C. Financing the Decade programme

35. Securing financing for the second phase was going to be particularly difficult because of the scale of the programme. The discussions between ECA, the financing agencies and African intergovernmental organizations mainly covered the following points:

(a) During the first phase many if not most of the projects financed were not included in the Decade programme. It was wondered whether financing agencies could not ask why such projects were not included in the Decade programme and why priorities had been changed;

(b) It was wondered whether common criteria for accepting or rejecting projects could not be adopted by all financial institutions instead of the current arrangement where each institution presumably need its own;

(c) It was suggested that ECA might, like UNDP, be involved in negotiations between countries and financing agencies or at least be available to answer questions on the projects presented; the same could apply to inter-governmental organizations. Such involvement would be of great assistance to financing agencies;

(d) Project preparation varied from donor to donor; it would be simpler if all parties concerned spoke the same language. Consequently, ECA should have specimen applications for bankable projects which could be adapted to the requirements of the Decade; this would eliminate non-viable projects from the outset. It was wondered whether ECA could count on the general support of financial institutions in this;

(e) The better-off countries had received the most funding. It was wondered whether a system could not be worked out for sharing the costs of projects for opening up land-locked countries between the transit and land-locked countries;

(f) It was suggested that donors should announce in advance the amounts they intended to contribute to the Decade programme, to provide an idea of the total amount which would be available;

(g) It was agreed that although technical consultative meetings were very useful they did not attract many donors; it was suggested that other means should be found of attracting funds.

36. With respect to the financing of projects that were not included in the Decade programme, financing institutions could only respect the decisions of member States; in the overwhelming majority of cases a transport project, for example, was only one component in a much wider range of projects. There were therefore grounds to wonder whether African countries were sincere when they stated that the Decade programme was a priority. The priority transport or communications projects they submitted should be included in the Decade. Member States should therefore be strongly recommended to support the Decade programme when contacting financing institutions. The financing institutions for their part agreed to help ECA in the following way: if a project were presented to them as a priority and was included neither in the national development plan nor the Decade programme, they would ask why there had been a change in priorities.

37. On the other hand, it was not deemed desirable to associate ECA in decisions on the financing of projects: the process of approving projects was long and slow and the decision was taken at the very end of the process; moreover, since ECA's task was to implement the Decade programme, its comments could be biased.

38. Since not all countries could present projects in a bankable format they required assistance. For example, ADB organized seminars for officials who prepared projects in their countries. ECA could help in conducting such seminars on project formulation. "Far-fetched projects" would then be quickly eliminated; on the other hand, where had been studies conducted, the preparation of a report showing that all the problems had been solved would considerably speed up the process of granting financing. Intergovernmental organizations were doing useful work and co-operating with financing institutions along those lines. It was recalled that for their evaluation reports financing institutions required preliminary studies with several variants and detailed studies on the variant selected.

39. Some suggestions were made on fresh methods of seeking financing. For example, small co-financing meetings could be held for specific projects; special funds could be established for some categories of projects; each financing institution could select a sub-programme and endeavour to participate in its implementation, thus improving co-operation among donors and avoiding

situations where the same projects were analysed by several funding agencies; finally, more efforts could be made to finance studies. In any case ECA had to play a more crucial role in mobilizing funds.

40. The financing institutions stated clearly that they could only announce contributions for the transport and communications sector as a whole and that it was not possible to indicate the proportion that would be allocated to the Decade.

41. Finally, in reply to a remark that financing institutions did not always follow up expressions of interest in some projects, the institutions pointed out that countries were sometimes slow in contacting donors who had expressed interest in their projects. ECA should therefore set up a mechanism for following up projects more efficiently.

D. Comments on the second phase programme

42. During the meeting, the financing institutions made some comments on the second phase programme of the Decade.

43. It was felt that although the minimum programme was ambitious it had to be implemented; this obviously required Governments and donors to be equally committed. Project presentation documents were generally felt to be inadequate, whence the need to go into the field to seek further information; in fact the Decade programme served as a project identification document for the financing institutions. The financing institutions finally reminded the meeting that many countries had considered the Decade as a source of additional funding and that during the second phase they should not make the same mistake.

E. Any other business

44. It was repeatedly stated that procedures for obtaining financing needed to be simplified and speeded up. However, some phases could not be avoided. When a donor received a request for financing a project that donor first of all had to verify whether the project was suitable and check on the solvency of the country, which was very important. If thorough studies had already been carried out on the project the process was much faster. The Decade projects therefore had to be classified in the following manner:

- (a) Projects on which studies were available;
- (b) Projects at an advanced stage of preparation;
- (c) Projects that did not need to be justified by studies;
- (d) Projects that were difficult to justify (for example "Far-fetched projects").

45. Where necessary, studies could be carried out by specialized institutions such as UNDP, the World Bank and sometimes ADB. However, projects should mainly be promoted by States because financing institutions could not be promoters of projects.

RECOMMENDATIONS

A. Recommendations to ECA

Participants in the meeting between financing institutions and African intergovernmental organizations held in Addis Ababa on 14 and 15 June 1984 recommend, in line with resolution ECA/UNCTACDA/RES.84/45, that ECA should:

(1) Classify Decade projects according to their state of advancement so as to enable donors to evaluate those projects that could be implemented before the end of the Decade;

(2) Play a more active role in following up the implementation of the Decade programme in the field;

(3) Draw the attention of African Governments to the contradictions between regional objectives which they say are priorities and the loans actually made to them which are very clearly in favour of national projects;

(4) Assist member States to present their projects in bankable formats; for that purpose, ECA should have access to some of the confidential documents of the financial institutions;

(5) Collaborate with intergovernmental organizations and co-ordinate their efforts to mobilize resources and, to that end, organize technical consultative meetings on project financing with the assistance of ADB;

(6) Submit, well in advance for the consideration of financial institutions, the documents prepared for technical consultative meetings in order to allow the managements of financial institutions to make firm decisions on the projects presented.

B. Recommendations to financial institutions

The participants in the meeting between financial institutions and African intergovernmental organizations held in Addis Ababa on 14 and 15 June 1984 recommend, in line with resolution ECA/UNCTACDA/RES.84/45, that financial institutions should:

(1) Try to establish special funds for financing studies whenever such funds do not exist; such funds should be made available as grants or concessional loans so that they can also be used to finance proposed regional and subregional studies;

(2) Collaborate with regional organizations such as ECA, and with subregional intergovernmental organizations, to ensure that the priorities accorded to regional and subregional projects are respected;

(3) Endeavour, in their loan programmes and policies, to meet the aspirations of African leaders to attain the physical integration of Africa through the establishment of a pan-African Transport and Communications network;

(4) Identify those projects that they are willing to finance after such projects have been classified by ECA and to inform the latter and the countries concerned so that they can make appropriate arrangements and look for co-financing for very large projects.

C. Recommendations to member States

The participants in the meeting between financing institutions and African intergovernmental organizations held in Addis Ababa on 14 and 15 June 1984 recommend, in line with resolution ECA/UNCTACDA/RES.84/45, that member States should:

- (1) Strive to implement the national projects included in the Decade programme;
- (2) Co-operate with neighbouring States in implementing the regional and subregional projects that concern them;
- (3) Ask lending agencies to finance only those projects that are included in the Decade programme;
- (4) Follow, as far as possible, the objectives of the Lagos Plan of Action with respect to the integration of Africa by giving priority to the financing and implementation of regional and subregional projects.